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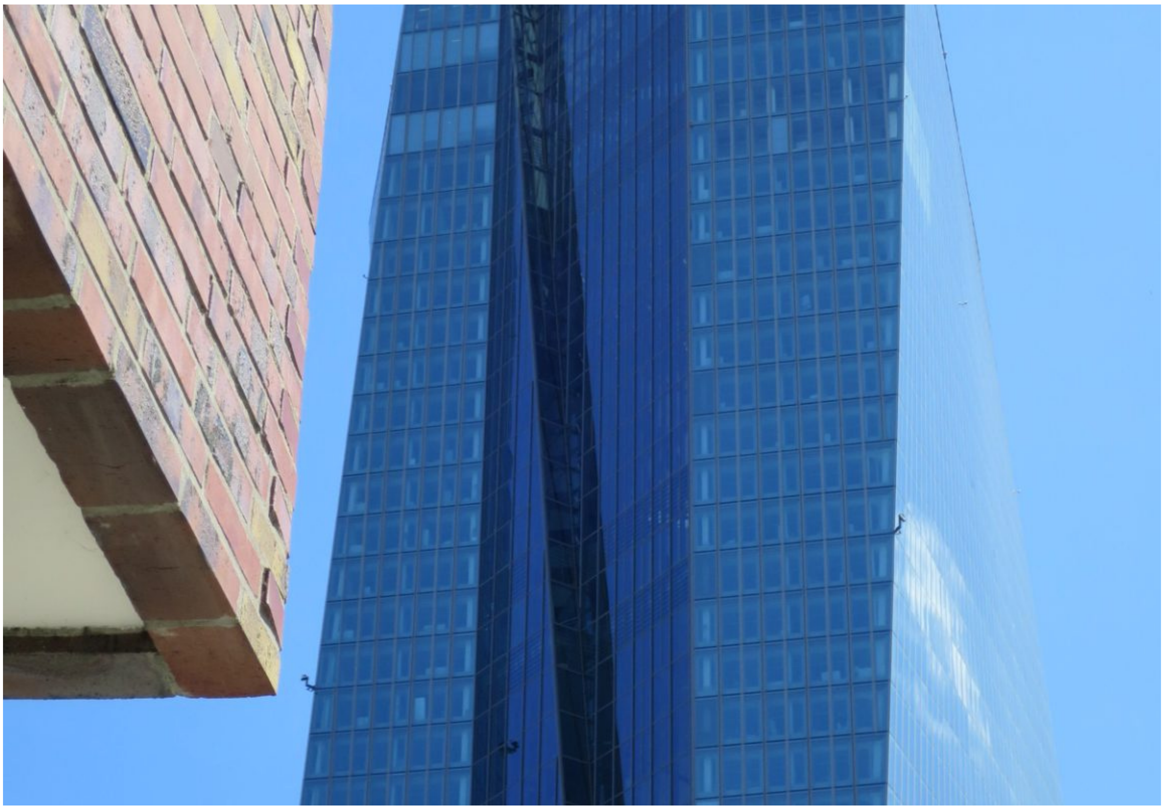

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LENIN ON WALL STREET: IMPERIALISM AND CENTRALIZATION IN THE 21ST CENTURY (I)

ALL, ECONOFICTION CAPITAL EXPORT, CENTRALISATION, FINANCE, LENIN, MARXISM, STOCKS, WALL STREET, WORLD ECONOMY

I. The export of surplus capital and Lenin's theory of imperialism

The central category of the theory of imperialism by Lenin, Hilferding (1910) and other authors[1] is the phenomenon of the systematic export of capital from the capitalist center to the periphery and the associated "plundering" of the periphery by the capitalist center. The capital that one decides to export is the capital that cannot be utilized in one's own country, i.e. the surplus capital. This certainly corresponds to Marx's teaching in Capital that competition between capitalists leads to a general state of over-accumulation of constant

capital (and of the organic composition of capital, i.e. the ratio of constant to variable capital), characterized by overproduction and a fall in the rate of profit, i.e. the engine of the capitalist accumulation process. The use of surplus capital in the same country in which it was created would therefore lead to an intensification of competition and a fall in the average rate of profit of all capital. If the profitability of capital falls permanently, eventually the mass of profits also begins to fall, which is the trigger for a collapse of investment and a crisis. The end result is the bankruptcy of the smallest and least efficient companies and an increasing concentration of production and markets. When concentration reaches such a high degree of development that it creates monopolies with a decisive function in economic life, the export of surplus capital becomes an opportunity to counteract the tendency of the rate of profit to fall and the capital crisis[2]. This opportunity is realized concretely through the fusion of bank capital with industrial capital – which favors the gradual formation of financial oligarchies – and allows the penetration of markets that are not local, the exploitation of new workers and the appropriation of the value they produce. In concrete terms, the monopoly establishes its own branches abroad, subsidiaries or even joint ventures with the participation of local public and private capital through new productive investments that guarantee total control of the company. The surplus capital that is exported therefore includes not only financial capital, such as loans to companies operating abroad and state financing, but also physical capital – such as plant, equipment and infrastructure – that cannot be fully utilized or exploited in the country of origin and can be put to better use across borders. In short, if there is overcapacity in a country, it may be worthwhile for large investors to expand into foreign markets where demand may be higher or there are fewer competitors. The export of capital therefore does not replace the export of goods, but rather reinforces it. In addition, investors themselves can benefit from lower costs, such as cheaper labor or access to abundant natural resources, which can help increase profit margins. According to Lenin, the penetration of large monopolies into markets outside their national borders leads to the formation of international monopolistic associations of capitalists who divide up the world and dictate to states to extend their dominance. This in turn leads to an intensification of global tensions, which can lead to military violence and war.

From this perspective, then, Lenin's theory of imperialism does not describe a context in which relations between countries are regulated on a global scale through the use of arms, but a phase of capitalist development.

II On the current limits of Lenin's theory

Lenin's theory is certainly crucial for understanding the wars of the 19th and part of the 20th century. However, in order to assess its relevance in the present context, we should try to empirically evaluate the development of the central element of the theory – the export of surplus capital – since the 1990s. A direct and relevant substitute for the export of capital mentioned by Lenin can be foreign direct investment (FDI), which aims to acquire companies or production facilities in other countries. With regard to the United States, which remains the hegemonic power of capital, companies received more and more after-tax profits from these activities between 1990 and 2007[3].

As Brancaccio (2023) notes, viewing foreign direct investment as a profit-making act that can be seen as a harbinger of politico-military tensions is very useful and contrasts with much of

the mainstream literature, which tends to view it instead as a mere free enterprise transaction capable of promoting international integration and even potentially peacemaking. It is true that since the 1990s, most foreign direct investment has been made through cross-border mergers and acquisitions (M&A) – which amount to a transfer of ownership of existing assets to a foreign owner – rather than through the creation of new companies (greenfield foreign direct investment). In any case, both forms of FDI can bring with them a significant degree of control and influence over host economies, in line with the imperialist powers' goal of economic domination as described by Lenin[4]. Thus, both are a relevant substitute for the export of surplus capital as considered in his theory of imperialism. Specifically, again with reference to the US, we will look at the net outflow of FDI relative to GDP over the period 1990-2022 (see figure below).

After reaching a temporary peak in 2000, FDI outflows from the US were pulled into a downward spiral by the bursting of the dot.com bubble in the early 2000s. In the following years, FDI recovered and reached an unprecedented high in 2007, shortly before the outbreak of the global financial crisis. The downward trend then continued until the collapse of the three-year period 2020-2022 (-17% according to UNCTAD data for 2023), which was apparently exacerbated in 2020 by the uncertainties of the pandemic phase. It is therefore true that FDI experienced a visible upswing in 2021, but this was largely due to the increase in mergers and acquisitions in 2020, when many of these activities had been canceled or postponed. Over time, many of these uncertainties have eased, favoring the recovery in M&A activity that led to an increase in FDI in 2021. However, as we will see below, mergers and acquisitions can have a strong speculative component that is independent of productive purposes in the target country.

FDI outflows from the USA. Period 1990-2022

Source: World Bank

In any case, the turnaround was short-lived and the downward trend resumed immediately in 2022. Looking at the most developed countries as a whole, according to UNCTAD's latest Global Investment Trends Monitor, published on January 17, 2024, the values for mergers and acquisitions were $280,000,000 lower in 2023 than in 2022, resulting in a 9% decline in foreign direct investment flows to developing countries.

From these trends, one could deduce that the central category of Lenin's theory – namely the export of surplus capital – has become increasingly less important since 2007. The question arises: what has prevented US companies from generating more and more after-tax profits through foreign investment (greenfield or through mergers and acquisitions) and thus increasing their share of profits in domestic income? One possible explanation is that this mode appears to be less and less effective in counteracting the low utilization of available production capacity (overcapacity/capital), a phenomenon that – even allowing for its difficulties in statistical measurement – has clearly persisted at least since the 1990s in the major manufacturing sectors in the US and other advanced economies (see Crotty 2002 and 2017, Lavoie 2016, Gahn 2022, Nikiforos 2021). This is simply because the main target countries for foreign investment, China, India, some Eastern European countries and Brazil etc., are experiencing similar overcapacity/capital surpluses in many of their industries,

particularly in mining, steel, cement and other sectors where goods are produced on a large scale and often in resource and infrastructure intensive production processes. The problem is exacerbated by wage levels that are inadequately protected by trade unions, which severely restricts household consumption growth.

In summary, apart from other factors (geopolitical instability, poor environmental sustainability, poor regulation of labor relations), it is increasingly less profitable for the US and the West to export surplus physical capital to areas where this surplus already exists[5].

III From overcapacity to centralization of control

Despite the fact that foreign direct investment has become increasingly less effective in counteracting the loss of profits resulting from growing idle capital in the country of origin, it is hard to argue that another crucial aspect of Lenin's theory – the formation of international monopolistic associations of capitalists spread around the world – has become less important in the last 15 years. The process of international centralization of capital in a few hands is now a phenomenon for which there is growing empirical evidence (see Brancaccio et al. 2022, Brancaccio 2023)[6]. In this section, we will try to understand its evolutionary traits by examining its connection with the problem of overcapacity, as this connection no longer seems to run through the category of the export of surplus capital.

III.1 From overcapacity to market concentration (1990s)

The first effect of a situation of widespread overcapacity among companies in a production sector could be the emergence of outright "price wars", i.e. situations in which companies chase each other with lower prices in order to take customers away from competitors and thus increase sales and profits to their detriment. In this context, it is possible that the less efficient and/or more financially exposed companies go bankrupt and are forced out of the market, ceding all or part of their assets and sales quotas to the "winners". At the end of a long "tears and blood" process, we would therefore probably end up with a highly concentrated market where more or less tacit collusion prevails, with a new equilibrium price above marginal cost, albeit with greater financial vulnerability for the companies that win the "war". Market concentration processes such as the one just described intensified in the United States in the 1990s and became particularly relevant both in the more advanced production sectors (think, for example, of the so-called information goods sectors; see Varian 2010) and in the more traditional sectors (think of the steel industry, the automotive industry or the banking system). It is no coincidence that, as mentioned above, many of these sectors experienced significant overcapacity in precisely these years (see Crotty, 2017) and a sharp slowdown in profit growth (see Roberts, 2022). The process just described coincides with what Marx calls the "centralization of capital" (see Chapter XIII of Book I). It concerns the accumulation of already formed capital[7] and finds a theoretical explanation precisely in the competition between capitalists vying for the utilization of their capital: "The struggle of competition is waged by making commodities cheaper. The cheapness of commodities depends, coeteris paribus, on the productivity of labor, which in turn depends on the scale of production. The larger capital therefore defeats the smaller capital" (Fineschi 2011, pp. 693-694). In short, centralization means not only the conquest of market share, but also the conquest of ownership of the means of production; an ownership that remains central to the

definition of capital's power of disposal over labour to extract surplus value.

III.2 From market concentration to the centralization of property (late 1990s-2007)

However, the modern development of the credit system, hinted at but not organically treated by Marx in "Capital", allows for a much broader and more comprehensive declination of the concept of the centralization of capital as a result of competition between capitalists that developed in the first years of the 21st century.

To understand this, it should first be noted that the convergence of the competitive process towards a more concentrated market structure, whose asymptote would be a situation of absolute monopoly, in no way guarantees the elimination of excess production capacity, especially if demand were very subdued and in any case would hardly respond to price reductions. Rather, as the prevailing oligopolistic structure of modern markets confirms, it is more likely that there will be more or less tacit collusion, with a new equilibrium price above marginal cost, so that even the least efficient firms are kept alive. In addition, technological progress makes the process of destroying available capital increasingly costly and complex, forcing companies to keep existing assets in good condition for as long as possible [8]. However, the need to finance the costs of unused production capacity can lead to companies becoming more indebted to the banking system [9].

Looking at the US, for example, the increase in corporate indebtedness to banks has been a gradual process. However, one of the most important phases was in the 1980s, when the financial sector in the US was significantly deregulated, combined with the increased use of complex financial instruments such as junk bonds and fiscal policy measures. This made it easier for companies to access external credit and encouraged many of them to borrow to finance or refinance their accumulated debt, but also to finance mergers and acquisitions of other companies and to take advantage of investment opportunities, both productive (development of new goods or services) and financial (buying and selling shares, bonds, etc.). This trend intensified in the following years, encouraged by a monetary policy that made the conditions for access to credit increasingly favorable[10]. The financial developments described above ran parallel to the upheavals in production triggered by the emergence of the technological paradigm of ICT at the end of the 1990s. This paradigm favored the construction of a commodity supply chain based on the division of production activities between nodes distributed in different parts of the world that work together synergistically to produce a final product or service.

Both financial and technological factors lead to a redefinition of market hierarchies and international geo-economic arrangements, triggering the most gigantic process of international capital centralization in history. On the one hand, the ability of ICT to break down and decompose production processes into phases or tasks that can be carried out independently and then coordinated regardless of their geographical location has given companies the opportunity to get rid of everything that is not necessarily related to their core business by transferring part of the complementary production processes or business functions to others (offshore outsourcing). On the other hand, the impressive development of global financial markets has facilitated access to capital to carry out mergers and acquisitions, which predominate (although not yet exclusively) in foreign direct investment

(see above) and are financed through bank loans, the issue of new shares or other forms of financing such as private equity, venture capital, leasing and factoring, etc. Mergers and acquisitions involve changes in ownership, which can manifest themselves in various ways: Transfer of ownership rights from the target company to the acquiring company; changes in the rights of the owners of the target company; changes in the decision-making and management structure of the target company; changes in voting rights, etc. Through these tools, acquiring companies have rapidly increased their size and geographic reach, consolidated their dominance in certain sectors and created multinational conglomerates at the expense of small and medium-sized companies[11]. This "leads to increasing diplomatic and even military tensions between countries. In this sense, the export of capital and the associated processes of international economic integration and centralization of ownership do not always take on peaceful characteristics, as they may encounter protectionist resistance, political and, in the extreme case, military resistance, and may therefore in turn require the use of force to open new routes and develop new markets" (Brancaccio 2022, p. 342).

To conclude this section, we note that despite the impressive technological and financial changes of this phase, we are still clearly in the presence of a model of production based on the accumulation of physical capital – the centralization of which "completes the work" (as Marx put it; see footnote 8) – and the extraction of surplus value from the exploitation of labour[12]. The narrow "elite" that emerges victorious from the competitive struggle, which has now shifted to a transnational level, takes control of a large part of the production and credit distribution processes – from which the profits of the subjects involved in production in various capacities are derived – and centralizes ever greater power in its hands[13]. However, part of these profits also come to a considerable extent from sources other than production, above all from trading activities on the financial markets around the globe. These activities involve the exploitation of price fluctuations in non-reproducible assets (such as securities, shares, real estate, etc.), which are bought and sold at different times at different prices, profiting from differences in value through a variety of contracts with fixed time characteristics. Speculative motivation also increasingly characterizes international M&A transactions – an increasingly important component of foreign direct investment, as seen above – which are particularly subject to fluctuations in macroeconomic, political and regulatory conditions in the target countries, as well as exchange rate fluctuations, which can affect the relative value of the companies involved and the profitability prospects of M&A transactions.

In summary, the main motive for acquiring assets that cannot be replicated on the national and international financial markets is no longer to indirectly acquire ownership of real capital assets, but to anticipate a significant increase in their stock market value (i.e. their future price in relation to the purchase price), which can only occur because "many" expect the same and for this reason continue to demand them. This increases the volatility of these profits, which can collapse abruptly at the moment when, as Keynes stated in his General Theory (1936), the vast majority of investors expect this value to stop rising. This happened punctually from 2000 (see chart below), after the collapse of NASDAQ prices in March 2000, and then, after another rise, in 2007, when the bursting of the subprime mortgage bubble was passed on entirely to households and businesses, leading first to the recession and then to the

economic crisis itself.

3.3 From centralization of ownership to centralization of control (2008 to present)

After the financial crisis of 2007-2008, profits from financial activities began to grow again, and over the last 15 years they have steadily leveled off at around 25-30% of all US corporate profits (see chart below). This growth has thus offset or even more than compensated for the decline in manufacturing profits, which have come under increasing pressure from alternating periods of recession, slowdown and stagnation.

Share of financial profits in total US corporate profits

Source: Bureau of Economic Analysis

At the heart of the growth in financial profits is a process of "predatory value creation" based on the fact that the CEOs of large corporations (e.g. Apple, Microsoft, Berkshire Hathaway, etc.), Wall Street bankers (i.e. the big executives of investment banks such as Goldman Sachs, J.P. Morgan Chase, Morgan Stanley and others), hedge fund managers (Bridgewater Associates, Renaissance Technologies, DE Shaw and Two Sigma Investments, etc.) and mutual fund managers (BlackRock, Vanguard, State Street Global Advisor, etc.) have the power to extract far more value from the industrial companies they manage than they themselves have created (see Lazonik 2023). This exploitation was (and still is) driven primarily by the decision to engage in large-scale buyback operations, i.e. buying back their own shares, which helps to inflate the value of these assets, attracting further demand for them from financial investors and allowing the "buybackers" to make substantial capital gains. This practice is based on the idea derived from neoclassical theory (agency theory, see e.g. Jensen and Meckling (1976)) that a company seeking to maximize its total value must necessarily maximize the value of the shares held by shareholders[14]. Theoretically, the top management of a company could not even own a single share in the company it manages, but merely perform this function.

The phenomenon of share buybacks became hugely important after the 2007-2008 crisis, when the enormous availability of cheap credit, encouraged by the central banks' policy of "quantitative easing" to stimulate the economy, spilled over into the stock markets in a big way, contributing to outright financial inflation. This is because in an environment still characterized by low real growth prospects and high uncertainty, a manager can achieve his profit targets through buybacks long before a time-consuming investment achieves a similar result. The heavy use of this tool has also impacted companies with a strong dynamic and innovative focus (e.g. Apple, Google, Facebook and Microsoft itself), some of which have become fully-fledged financial holdings with huge market capitalizations[15]. While a significant proportion of their profits used to come from technological advancement, profits now increasingly depend on legal protection of technology and other forms of exclusion of competitors, which strengthens their market power, but more importantly makes their own financial assets increasingly attractive, as many other investors will also bet on their attractiveness and seek to buy them, adding to their value. This keeps open the prospect that new speculative bubbles can inflate quickly – which in turn carries the risk of severe instability if they suddenly burst – even in times of severe slowdown in economic activity and not just, as Hyman Minsky pointed out (see Minsky 1981), in times of euphoria and the urge to

accumulate real capital.

The phenomenon of "buybacks" temporarily abated in 2023 as the impact of rising interest rates, raised by the monetary authorities themselves with the stated aim of combating the resurgence of inflation[16], became apparent, only to increase sharply again when the rise in interest rates appeared to slow. The real advantage of buybacks, however, lies in the way they were and are taxed. In the US, listed companies pay no tax on them until July 2019, making buybacks much cheaper for shareholders than paying dividends, which are taxed as capital gains (at a rate of up to 35%). Later, as part of Trump's tax reform, a capital gains tax of 21% was introduced for both listed and unlisted companies. However, the tax on capital gains from share repurchases is levied on the net amount paid by companies for share repurchases after deducting the net amount received when the shares were originally issued. Again, while it makes no difference to the company whether it buys back shares or pays dividends, it does make a difference to shareholders. While dividends will continue to be taxed as capital gains, the sale of shares after a buyback will in fact result in capital gains tax being levied only on the owner's total gain. For the shareholder, the buyback therefore remains extremely advantageous compared to a dividend payment. In addition, Trump's reform provides, among other things, a kind of amnesty for multinational companies that repatriate capital held abroad to the USA at a rate of around 10%. This also led to a further inflow of liquidity for buybacks[17].

The extent of the phenomenon described above illustrates a new weakening of the concept of centralization. As mentioned above, buyback programs lead to a huge increase in profits for shareholders as the number of outstanding shares is reduced and the value per share increases. The shareholders of the companies that participate most in these programs are often large financial institutions, investment funds and other institutional investors[18]. As a result, they have increased their stake in the company, which strengthens their control and influences corporate decisions through voting at shareholder meetings and other means (non-binding votes, shareholder activism, notices and meetings, etc.). In addition, top managers and other corporate executives have been able to vastly increase their compensation based on shareholder value, further widening the gap between their incomes and those of the rest of the population. This has led to an even greater concentration of control in the hands of major shareholders and executives, at the expense of a more equitable distribution of decision-making power and corporate profits[19].

It can be observed that centralization in this case takes place independently of the competitive dynamics between stronger and weaker companies (see above) and runs parallel to the mechanism of production-based surplus value extraction described by Marx in Capital. This mechanism is in fact subject to outright "strategic sabotage", as funds for buybacks and other speculative activities[20] are diverted from productive investments, even in the sectors/ companies with the greatest capacity for innovation (see Turco 2018, Lazonick 2023)[21]. The profits made in this way, often parked in offshore tax and regulatory havens awaiting profitable use[22], are used to acquire the shares of a variety of companies, sometimes competing in the same real markets, using financial tricks similar to 'Chinese boxes'. A company may use the proceeds from buybacks to finance the acquisition of complementary companies, i.e. companies that operate in related industries or offer products or services that

combine well with those of the acquiring company (e.g. Facebook acquired WhatsApp in 2014). A company can also expand its business and enter new markets or customer segments through mergers and acquisitions (e.g. Amazon's acquisition of Whole Foods Market in 2017). Finally, through acquisitions, a company can acquire new technologies or capabilities that would be difficult to develop internally (e.g. Microsoft through its acquisition of LinkedIn in 2016).

Essentially, we are dealing with a production model in which the logic of money accumulation, controlled by an extremely small number of economic actors, has the upper hand over the logic of production. The goal of centralization is therefore no longer so much the accumulation of capital for profit, but the centralization of control for the accumulation of power (see footnote 13). In any case, no enterprise aiming at the accumulation of money capital could do without the continued accumulation of physical capital for the production of commodities, at least to a certain extent. The "sabotage", i.e. the withdrawal of resources at the expense of productive investment/innovation activity, cannot therefore go beyond certain limits, as capitalism itself could not exist without the sphere of production. This is particularly true for sectors such as digital technologies, energy, pharmaceuticals and defense, both because of their strategic importance and because of their ability to attract financial players' bets on their assets and help them increase in value. However, in other industrial sectors, such as those focused on the production of consumer goods that once dominated the global economy (e.g. automotive, household appliances, textiles, food, etc.), the persistent problems of overcapacity in the global economy have led to the emergence of a number of new industrial sectors.), the persistent overcapacity problems, exacerbated by the depressive effects of the pandemic phase, have certainly influenced the decision of companies to reduce investment and innovation and focus on managing underutilized production facilities and cost-cutting to remain competitive, as well as vigorous attempts to extort incentives and concessions from governments through employment blackmail (see this link). For some of them (e.g. the automotive sector), there is a threat of a bloody price war aimed at taking market share from competitors, which could lead to a reintroduction of the capital centralization patterns inherent in the production model based on the accumulation of physical capital (see section 3.1). However, the uncertain prospects for the outcome of this struggle make these sectors increasingly unattractive to financial actors[23]. It is therefore reasonable to assume that these sectors can only exist or retain a certain (albeit reduced) relevance as long as the logic of money accumulation still has the opportunity to feed on their value.

Notes

[1] These certainly include Baran and Sweezy (Sweezy 1951; Baran and Sweezy 1968), who are less concerned with constructing a new theory of imperialism than with embedding this concept in the new dynamics of the world economy with the emergence of monopolies.

[2] It should be noted that Baran and Sweezy break with the Marxian core of the analysis of the production and appropriation of surplus value by using the concept of economic surplus value, defined as the difference between what is produced in society and what is actually consumed. In the book "Monopoly Capital", the two authors even claim that monopoly capitalism has replaced Marx's law of the tendency of the rate of profit to fall, which is the

central variable in the outbreak of crises. In monopoly capitalism, the problem of economic surplus becomes significant. This is because monopoly capitalism increases the imbalance between the production capacity at a given time and its actual consumption.

[3] See the estimates by Bichler and Nitzan, 2012. However, the same authors warn of the difficulties associated with data on foreign wealth and income, see e.g. Griever, Lee and Warnock (2001) , Curcuru, Dvorak and Warnock (2008) . On the extensive use of tax havens by large US corporations and the accounting uncertainties this creates, see White (2008) .

[4] We note that mergers and acquisitions can also be a means by which a company exports its excess physical capital to new markets. This can be done, for example, by transferring production capacity and spare resources to the target company abroad so that it can expand its production in the new market without having to build new facilities. However, the transfer of plant and equipment usually requires the transfer of ownership of these assets to the target company. However, it is possible to structure the M&A transaction in such a way that the parent company retains a certain degree of control over the target company and its assets. This can be done, for example, through a significant shareholding, contractual arrangements, license and franchise agreements and control through operating agreements.

[5] Overcapacity is considered an unavoidable problem for countries undergoing rapid economic development and also causes serious negative impacts on the environment and public health. As for China, according to several government reports, the industrial sector, which is the main component of the Chinese economy, is facing a serious overcapacity problem, especially in key sectors such as coal, steel, cement, flat glass and electrolytic aluminum. A recent Chinese study quantifies the characteristics of overcapacity and the corresponding side effect, including in terms of pollution, resulting from the “capacity reduction” policy (see Guo et al., 2022). As for India, capacity utilization in the Indian manufacturing sector remained below 75 percent during the period 2016-17 to 2021-22 (Q1), with a downward trend over the years, the origins of which can be traced back to the early 1990s. In Brazil, average capacity utilization fell from 81.45 in the period 1997-2007 to 75.39 in the period 2008-2023.

[6] The empirical evidence, which Brancaccio et al. (2022) explore in greater depth, assumes the use of modern “ownership network” techniques with reference to share ownership. From this analysis, it is clear that the oligarchic structure of economic and financial groups in the US and Western countries is by far predominant.

[7] This concept is often superimposed on and confused with the concept of capital concentration (see e.g. Hilferding 1910), which Marx, on the other hand, clearly refers to the process of accumulation of new capital.

“Centralization, i.e. the redistribution of capital ownership, thus completes the work of accumulation by enabling industrial capitalists to increase the scale of their operations” (Fineschi p. 695).

[8] The maintenance of corporate facilities and resources has become an increasingly formalized practice in corporate law as its impact on the long-term sustainability of companies and their ability to maintain competitiveness in the marketplace has become clear.

[9] Indeed, all other things being equal, average fixed costs and unit production costs would increase, while the level of economic profits – i.e. the profits generated from the sale of goods after deducting the companies' explicit and implicit costs – would be below the maximum value corresponding to the full utilization of all available capital assets. Forgoing the generation of economic profits leads to a lower availability of internal funds (free cash flow) for the companies, whereby the effects vary greatly depending on the size and strength of the companies. Larger companies with greater market power would certainly have greater availability of internal funds (given by the sum of previous economic profits not distributed to shareholders) and/or easier access to bank loans to compensate for any decline. While the former companies can survive the downturn and quickly redeploy their excess capacity into new profit opportunities, the latter may fail and be forced to exit the market unless they manage to borrow further from the banking system.

[10] The policy of the Federal Reserve, the central bank of the United States, after 2000 and until 2004-2005 was to significantly reduce or keep the discount rate low in order to make loans granted by banks less burdensome for borrowers and to facilitate the demand for business loans. In addition, deregulation introduced during the second Clinton presidency removed the distinction between commercial and merchant banks and opened the abundant markets for long-term loans to the latter, further favoring the strengthening of the "leverage effect", i.e. the possibility for companies to make an investment requiring a high amount of funding with a low rate of the actual capital employed.

[11] There is now ample empirical evidence for this phenomenon (see Brancaccio et al. 2022).

[12] However, the latter dimension is increasing dramatically in intensity. The ongoing restructuring of many production chains at the global level has led to the localization of many processing steps in different geographical areas, as production capacities in low-wage countries have been increased and coordination (and transport) costs have been reduced. The most obvious consequence has been the weakening of trade union bargaining power at a global level and the shift in the balance of power between companies and workers to the clear advantage of the former. All this has considerably slowed down the dynamics of real wages and put households in a precarious situation, forcing them to cut back on their savings and increasingly resort to mortgage debt in order not to lower their level of consumption.

[13] The concept of "power" should be understood primarily in relation to the existence of social relations based on a strong asymmetry of "possibilities of action" – e.g. through the control of material, human and financial resources – and thus not only in relation to the ability of "someone" (e.g. a company) to influence the actions of "others" (e.g. competing companies). For the differences in the concept of power between the various economic approaches, see the analysis by Giulio Palermo (2007).

[14] According to agency theorists, the relationship between the board of directors (representing the shareholders) and the management (headed by the CEO) is comparable to an agency contract in which the principal (the shareholder) entrusts an agent (the CEO) with the management of the company. The principal and the agent are inherently selfish subjects and pursue their personal interests: If the principal cannot control the agent, the agent will pursue his own interests, even to the detriment of the principal. How can the interests of the

one be reconciled with the interests of the other? If the shareholder's interest is that the value of the shares held increases (shareholder value), then the company management must be rewarded with the opportunity to buy shares at a discount by being incentivized to constantly strive for an increase in value (stock options).

[15] According to calculations by Artemis Asset Management, from 2009 to 2017, US companies alone bought back a total of USD 3,800,000,000 worth of their own shares on the stock market. In 2019, buybacks by US companies totaled more than USD 800,000,000[15]. In 2021, the top 50 buybacks accounted for 68% of all buybacks in the S&P 500, also generating 34% of S&P 500 revenues and 45% of profits and paying 28% of dividends. In 2022, S&P 500 share buybacks reached a new record of $923,000,000 before declining in the first half of 2023 (Lazonik 2023). According to estimates by Deutsche Bank analysts, buyback transactions in the US market could reach a record $1,000,000,000 in 2024; a similar upward trend is expected for other Western countries including Italy.

[16] The financial option is not always feasible for all companies. While after the 2008 crisis even smaller companies could take advantage of this option as they could count on abundant cheap credit, today, given the higher interest rates, only those that have accumulated substantial profits (i.e. the largest oligopolistic companies) can limit their need for external exposure to finance their stock market activity. For the others – e.g. small and medium-sized companies – borrowing to bet on securities and shares would be a very risky and indeed impractical option. This also leads to greater caution in repurchase transactions.

[17] It should not be forgotten that share buybacks have not always been legal. In the past, they were effectively banned as market manipulation until the Securities and Exchange Commission (SEC) under the Reagan administration drastically relaxed the rules to allow regular and large buybacks. More specifically, the SEC enacted Rule 10B-18 in 1982 to protect an issuer from accusations that it was manipulating the price of its stock when it bought it back. The SEC has amended and interpreted Rule 10B-18 from time to time.

[18] Institutional investors are institutions, banks, financial firms, or other entities that invest in and trade the assets of large public or private companies. In contrast to private individuals, institutional investors can therefore trade a much larger volume of securities and move much larger sums of money, precisely because they are acting on behalf of third parties.

[19] Vanguard, BlackRock and State Street Global Advisor are the three largest mutual funds in the world, controlling nearly 90% of the companies in which most stock traders invest. The S&P 500 includes such "old economy" giants as: ExxonMobil, General Electric, Coca-Cola, Johnson & Johnson, J.P. Morgan; and all the new giants of the digital age: Alphabet-Google, Amazon, Facebook, Microsoft and Apple. The managers of the three biggies hold around 5% of the shares of all the companies included in the index, but have 25% of the votes in the management bodies of these companies. This enables them to be dominant shareholders in all major American companies, especially those with diffuse shareholdings and without a majority shareholder (see Bebchuk and Scott 2019).

[20] In recent months, the price of gold has surpassed USD 2,000 per ounce as a result of this speculative activity, and the best-known cryptocurrency Bitcoin has again reached unimaginable levels, namely just under USD 70,000, an increase of 200% in 12 months. It

should also be noted that due to the recent interest rate hikes, these assets

[21] Consider NVIDIA, one of the most innovative companies, a leader in the field of graphics processing units (GPUs) used in a wide range of industries, including video games, data centers, artificial intelligence (AI), autonomous vehicles, etc.., whose major shareholders include investment funds Vanguard, BlackRock, Fidelity Investments, State Street Corporation, etc., we can see that in August 2023, not unsurprisingly to insiders, it invested profits in share buybacks of USD 25 billion without maturity, after its shares had more than tripled in the same year. Meanwhile, several other tech companies with large market capitalizations have announced even larger buybacks this year: Apple $90,000,000, Alphabet $70,000,000 and Meta Platforms $40,000,000.

[22] The term "tax havens" refers to places or jurisdictions where the tax, financial or legal rules are particularly favorable or advantageous to companies or individuals. Jurisdictions that are considered regulatory havens may offer benefits beyond low taxation (as in "tax havens"), such as legal and regulatory regimes that favor privacy, asset protection and operational flexibility.

[In the first trading month of 2024, Tesla lost 21%, China's Byd 15% (the group also includes an electronics division) and Vietnam's Vinfast 14%, with an 83% drop from August last year alone. The Chinese company Nio lost 29% and the Swedish company Polestar 22%. In the light of this underperformance, it is not surprising that Renault has decided to suspend the listing of Ampere, a division specializing in electric cars, for an indefinite period. Volkswagen has shelved its plans to list Powerco, the unit that manufactures batteries. All IPOs (initial public offerings) of electric manufacturers are currently loss-making. The publication of Tesla's disappointing figures may have dealt the final death blow to the IPO project. Worse than expected are also the figures presented by Chinese competitor Byd, which show an increase in profits, but with much weaker growth than in the past.

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